

APPENDIX F

**HEADWATERS FOREST ACQUISITION FINANCIAL PLAN,
MAY 5, 1998**



United States Department of the Interior

OFFICE OF THE SECRETARY

Washington, D.C. 20240

May 5, 1998

Honorable Frank Murkowski
Chairman, Committee on Energy
& Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Pursuant to the Conference Committee Report accompanying the FY 1998 Department of the Interior Appropriations Act, PL 105-83 (the "Act"), the attached is the Financial Plan which was prepared pursuant to Section 501 (g) of the Act. Since the State of California will pay approximately one-third of the cost of acquiring the Headwaters, the Plan was developed cooperatively with the State Resources Agency and includes input from a number of Federal agencies, as specified.

After reviewing the situation on-the-ground and conferring with the State of California, we have jointly decided that separate State and Federal title ownership of the property is most appropriate, but a cooperative, interagency approach to managing the tracts to be acquired by the two entities is the best initial strategy for this project,

As for the possibility of establishing a trust, as authorized by Section 501(h) of the Act, we will consider that option once the acquisition is complete and the cooperative management plan has been developed to begin the important restoration and recovery work that will be necessary,

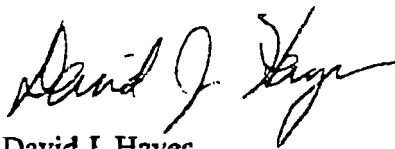
The Department recognizes that the Conference Report anticipates contributions of outside funding from interested parties to assist with management. As this Financial Plan notes, up to \$2.5 million in outside funds will be sought to contribute to funding the one-time restoration work that will be required under the cooperative plan envisioned by the Bureau of Land Management (BLM) and its partners.

As the financial plan shows, the State and BLM will both own and manage the property while collaborating with outside interests and utilizing information and expertise from the State and other Federal agencies involved. We believe this collaborative approach, under the umbrella of the already existing California Biodiversity Council, best serves the management needs of Headwaters for at least the initial planning and management stage of this valuable national and

State resource. Examples of this type of Collaborative approach used in California include the Consumnes River Preserve in south Sacramento County, Carrizo Plain Natural Area in San Luis Obispo County, and Santa Rosa National Scenic Area in Riverside County. Of course, the appropriate management regime will be developed with due regard to other obligations of law, including any which involve notice and comment.

WC would be glad to respond to any questions you may have about this Financial Plan at your convenience. Similar letters are being sent to the Chairman and Ranking Minority members of each of the Committees specified in the Conference Report.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Hayes", with a stylized flourish at the end.

David J. Hayes
Counselor to the Secretary

Enclosure

IDENTICAL LETTERS SENT TO:

Honorable Dale Bumpers
Committee on Energy & Natural Resources
United States Senate
Washington, DC. 20510

Honorable Frank Murkowski
Chairman, Committee on Energy
& Natural Resources
United States Senate
Washington, D.C. 20510

Honorable Robert C. Byrd
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Honorable Don Young
Chairman Committee on Resources
House of Representatives
Washington, D.C. 20515

Honorable Robert Livingston
Chairman, Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Honorable George Miller
Committee on Resources
House of Representatives
Washington, D.C. 20515

Honorable Slade Gorton
Chairman, Sub-Committee on Interior Appropriations
United States Senate
Washington, D.C. 20510

Honorable Ted Stevens
Chairman. Committee on Appropriations
United States Senate
Washington, D.C. 20510

Honorable David R. Obey
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Honorable Ralph Regula
Chairman, Sub-Committee on Interior
Appropriations
House of Representatives
Washington, D.C. 20515

Honorable Sidney Yates
Sub-Committee on Interior Appropriations
House of Representatives
Washington, D.C. 20515

Headwaters Forest Acquisition Financial Plan

U.S. Department of the Interior Bureau of Land Management

The Headwaters Forest land acquisition provides a unique opportunity for Federal, State; and local agencies to combine their strengths and involve the public in a Cooperative Resource Management Planning (CRMP) approach. A cooperative agreement among the three levels of government, along with a broad spectrum of interest groups, would oversee and help direct future management of the area. Such an approach would foster and perpetuate a public sense of stewardship for these important biological resources. The land acquisition would be funded by the State of California and the Federal Government, and is planned to be managed as one landscape, with a seamless meshing of government and private sector entities. Cooperative management is intended to be the cornerstone of the Headwaters Forest. The Bureau of Land Management (BLM) would be the managing agency representing the Federal government.

Once the Headwaters Forest is acquired BLM would help lead the development of a management plan. The focus of the management plan is on the protection and monitoring of threatened and endangered species and their aquatic and terrestrial habitats, particularly within the old-growth redwood groves. Management of the surrounding second-growth would include significant restoration activities to accelerate the return to old-growth dependent species. Unentered old-growth forest stands would not be subject to silvicultural practices. The re-establishment of natural drainage networks would include extensive road restoration with the goal of removing, decommissioning, or stabilizing the entire existing road network and re-instating natural processes over time in an essentially roadless landscape. The BLM management designation for Headwaters Forest would be an Area of Critical Environmental Concern/Research Natural Area consistent with the existing Old-Growth Reserve System established within the Arcata Resource Area. Within the context and vocabulary of the Northwest Forest Plan (NWFP), the area would be managed as a Late-Successional Reserve and as a Key Watershed, adhering to all the standards and guidelines described in the Northwest Forest Plan Record of Decision for those lands allocations.

Recreation activities and visitor services provided at the Headwaters Forest will be developed through the planning processes, but is assumed to include two access points and a modest system of trails, for the cost estimates developed for this report. Visitor use would be managed in a manner consistent with the management issues which drove the acquisition of the property. Late-successional and old-growth forest habitats and the species they support would not be compromised by visitor use levels. It is expected that recreation levels would be an evolving program where demand and impacts of uses would be analyzed and developed over time.

The ultimate development of a management plan for the area, as specified in Section 501 of the 1998 Interior Appropriations Act, known as the Headwaters Forest and Elk River Property Acquisition, would rely on the findings of a detailed and comprehensive Ecosystem Analysis (watershed analysis) and an assessment of forest stand conditions as prescribed in the NWFP. The findings of these analyses would set the ecological parameters within which all management would be conducted, including recreation, transportation, restoration, research, and monitoring. Extensive public involvement, along with public outreach and education, will be a vital component in the analysis process. *Major* cost components would

be watershed restoration, CRMP, and management structure.

It is recognized that all further management planning will be completed with full public and community involvement, including scoping, outreach, and full National Environmental Policy Act (NEPA) and Council on Environmental Quality Act compliance. Additional levels of public involvement in planning and management will be pursued to fully engage local governments and public groups in this effort. This would include extensive outreach and other mechanisms such as workshops, forums and/or advisory groups.

Headwaters Financial Plan

The purpose of this report is to fulfill the requirements in Section 501(g) of the 1998 Interior Appropriations Bill which outlines a 180-day review period for the authorizing committees. The Administration is required during this time to submit "its financial plan for the Headwaters Forest to the authorizing and appropriations committees so that the committees can evaluate whether the authorized level of funding is appropriate." This financial plan highlights the primary areas of management emphasis, outlining philosophy, management goals, and implementation steps in sufficient detail to meet the needs of the authorizing and appropriations committees. The financial plan budgets for, and assumes that, detailed ecosystem analyses and activity plans will be completed which will detail the full extent of recovery actions and their costs. This budget analysis attempts to foresee the potential funding required to implement the primary activity areas of those efforts.

The Headwaters Forest financial plan was completed by an interagency, multidisciplinary team with specialists participating from the BLM, U.S. Fish and Wildlife Service, California Department of Fish and Game, National Park Service, and the California Department of Forestry and Fire Protection (CDF). The team developed a budget based on a series of assumptions regarding public expectations for management cooperative State and Federal responsibility, and extensive private sector participation. Recreation will be managed in a consistent manner with maintaining the integrity of the ecosystem. The 7,500-acre acquisition encompasses over 3,000 acres of old-growth redwood forest, including a single continuous stand of over 2,700 acres. The acquisition also includes up to 3,500 acres of previous timber harvest and extensive logging. In these impacted areas, restoration of the physical and biological processes inherent in the redwood forest ecosystem will be an immediate and intensive short-term *management theme*.

The BLM's 1999 budget request for Headwaters Forest is \$400,000, which would be directed to annual base funding and law enforcement. Starting in the year 2000, the annual base funding need will be approximately \$500,000; of which \$300,000 would be from the Federal Government and \$200,000 would come from the State of California. The annual base funding would cover the annual costs of ecosystem management and monitoring; silvicultural assessments of the secondary-growth forest; recreational visitor services, interpretation, and education; trails, road, and parking maintenance; threatened and endangered species research; weed monitoring and eradication; fire management; and law enforcement. In addition to the annual base funding requirements, the Headwaters Forest has several management actions that will require one-time funding costs. These one-time expenses are projected to cost approximately \$9,600,000 and are anticipated to be accomplished within five years of the completion of the management plan. These one-time costs are anticipated to be funded 25 percent by private contributions, 25 percent by the State of California, and 50 percent by the BLM. The current list of one-time needs are: the development of silvicultural and watershed assessments necessary to prepare

management prescriptions, the development of the CRMP and NEPA compliance, secondary-forest stand treatment, exotic plant removal, public access, recreation education and outreach, fuels management, watershed restoration, and management research.

The one-time costs are to be funded in the same portion as the acquisition costs; one-third state and two thirds Federal. Grant contributions to Headwaters Forest management are expected to provide significant additional funding to help off-set the one-time expenditures for the initial years of restoration activity and infrastructure development. This amount contributed is estimated at approximately \$2,500,000 over a 5 year period and will have the effect of offsetting the one-time Federal and State budget shares by approximately 25 percent per year. The table below presents the funding strategy for the Headwaters Forest for 5 years starting in fiscal year 2000.

Five Year: Funding Strategy for both Annual and One-Time Funding Requirements

Funding Sources	Annual Cost for FY 2000 (5-Year Plan)	Total 5-Year Cost
Annual costs	500,000	2,500,000
State	200,000	1,000,000
BLM	300,000	1,500,000
One-Time Costs	1,920,000	9,600,000
Contributions	500,000	2,500,000
State	420,000	2,100,000
BLM	1,000,000	5,000,000
Total	2,420,000	12,100,000

The BLM portion of these one-time funds will be requested in the President's Budget annually. The costs in the table above are estimates and will need to be adjusted from year to year as more detailed information becomes available.

Ecosystem Planning Processes

Watershed Silvicultural Assessment (\$150,000 one-time cost): Watershed analysis and second-growth forest management planning will shape virtually all management programs in the long-term and are a basic building block which must be in place before 'specific management prescriptions are developed through a comprehensive management plan. Analysis serves as a guide to project planning and coordination from both an ecological and logistical perspective.

CRMP and NEPA compliance (\$250,000 one-time cost): The Headwaters acquisition was generated by the public and provides an opportunity for the public to assume its place as a shareholder in the development of a management plan along with State and Federal agencies who will play a continuing role in any management scenario. Such a private/public partnership will be fostered through a **CRMP** where each shareholder has his/her place at the table to participate in a consensus-built, community-

driven management approach, The CRMP approach would embrace a multi-agency, multi-species, and multi-jurisdictional approach.

Management Structure (\$200,000 one-time cost and \$325,000 annual base cost): The Headwaters Forest would be managed to restore the natural processes inherent in the redwood forest ecosystem. Nearly one-half of the acquired acreage has been impacted by intensive industrial timber management. It is assumed that the intense level of public scrutiny of the parcel would continue and that there would remain a high expectation for the managing agency to re-establish and maintain ecosystem integrity, which includes restoration of both the aquatic and terrestrial systems and a high but compatible level of public visitation, outreach, and education.

Restoration

The Headwaters Forest offers opportunities for protection and study of rare old-growth redwood ecosystems as well as opportunities for applying proven restoration technology to an intensively managed landscape. Of the 7,500 acres comprising this block of land, approximately 3,000 acres are un-cut old growth redwood forest. The remaining 3,500 acres have experienced intensive forest management. The managed forest lands are vegetated by young trees and contain an extensive network of roads, landings, and skid trails.

The management objectives for the Headwaters Forest include both protection of the remaining old-growth forests as well as restoration of natural processes on the managed landscape. The network of roads and skid trails alters the natural hydrologic processes by changing the nature and timing of water flow from precipitation. Timber harvesting alters natural succession of vegetation. Changes in natural processes result in long-term degradation of landscape conditions. Restoration of natural processes requires active management focused on cost-effective projects affecting targeted processes. Restoration of natural processes will accelerate recovery of habitat for threatened and endangered species. Restoration activities in the Headwaters Forest should be viewed as a long-term investment that comes at a small fraction of the cost of the total purchase price.

Watershed Processes (\$7,750,000 one-time cost): The management emphasis for restoring the Headwaters watershed is to eliminate the timber roads, landings, and skid trails and at the same time provide sufficient access for fire suppression, research, and recreation. Restoring the natural hydrologic processes to the extent feasible is key to restoring watersheds and forest health. There are approximately 19 miles or 27 separate road segments consisting of main haul **roads**, mid-sized roads, and skid trails which are not needed for fire or recreational access that need to be eliminated or decommissioned. Of these 27 separate roads segments, seven of them are classified as very large main-line timber haul roads. These main-line roads have been surfaced with crushed rock, are 22-25 feet in width, and have cut-slopes that exceed 20 feet in height. It is estimated that over 760,000 cubic yards of material will have to be moved to restore just these seven main-line roads to the original contour. All of the 27 road segments are adjacent to perennial stream channels or are adversely affecting water quality and fisheries habitat in and around the Headwaters Forest. Decommissioning of the old timber roads will have the most significant affect on restoring surface and subsurface natural water flow patterns, improving water quality, enhancing fisheries and aquatic habitat, and stabilizing the overall watershed.

Second-growth Forest Management (\$150,000 one-time cost and \$50,000 annual base cost): Management of second-growth forest stands in the Headwaters Forest will focus on silvicultural

treatments designed to accelerate the development of old-growth forest characteristics. Cost/benefit of treating 15-20 year-old stands is most favorable. Ecologically, treatment of young stands to provide connectivity between the “Headwaters” parcel and the “Elk Head” parcel is highest priority.

Exotic Plant Removal/control (\$50,000 one-time cost and \$10,000 annual base cost): Primary species of concern is pampas grass which readily invades disturbed sites. The species is dominant in clear-cut and roadsides. Ample evidence suggests that the species does not significantly inhibit establishment of new forest stands and cannot out-compete Douglas-fir or redwood. Priorities for treatment are visually sensitive areas along roads and staging areas. Secondary species of concern include scotch broom, Monterey pine, and eucalyptus.

Access (\$325,000 one-time cost and \$75,000 annual base cost): Public access will be provided from both the north and South sides of the parcel. The northern access road will provide access primarily for those intending to hike into the forest. This road requires surfacing and is approximately 7 miles in length. Additional public access from the south would be obtained from Newburg Road to Salmon Pass and Alice Pass. This access would be a primary access for day-use visitation by the general public and is critical to the continuing administration of the parcel by the managing agencies. Trespass onto private land from public visitation through the southern access route would be controlled by installation of gates on spur roads. The BLM would require additional administrative access from the south leading to Salmon Pass, Alice Pass, and Elkhead Springs totaling 34 miles. This administrative access would provide for fire protection, restoration activities, and second-growth forest management. The BLM would acquire maintenance responsibilities with the public easement and some negotiated levels of maintenance responsibilities on administrative access.

Recreation (\$300,000 one-time cost and \$30,000 annual base cost): It is important to provide public access to old-growth redwood forest in a manner consistent with protection of threatened and endangered species and which will not compromise the effectiveness of the habitats in supporting species dependent upon late-successional/growth forests. Headwaters Forest provides unique opportunities for public education and outreach. A low-impact network of trails would utilize ridge-top routes and existing roads, where feasible. Specific transportation routes, appropriate visitor use levels, and visitor services will be determined through the comprehensive planning process, including extensive Public input. Road access to the public would be available from both the north and south.

Fire Management

Suppression (\$10,000 one-time cost): Biggest risk of wildfire ignition is along the southern boundary where industrial logging practices will be ongoing. Fire protection is within the CDF responsibility. The CDF and BLM will negotiate fire operating plans locally. Included in the transportation planning will be a system of available roads which are critical access for suppression activities. The operating plan is assumed to include restrictions on equipment within old-growth stands and access by existing roads only.

Fuels (\$50,000 one-time cost): Fuels inventory/risk assessment are needed in previously entered stands and in the Elk River parcel. It is necessary to incorporate a fuels assessment in the watershed analysis process.

Prescribed or Natural Fire (\$100,000 one-time cost): The reintroduction of fire as a natural process

or the management of natural ignitions in this ecosystem is largely untested. Natural fire frequencies are very low. At this time, it was determined that use of fire or reintroduction of fire as a natural process would not be addressed given the sensitivities with regard to threatened and endangered species. All fire management would consist of fuels management related to silvicultural activities and full suppression.

Research, Monitoring, and Inventory

Research and Monitoring (\$250,000 (\$50,000 per year year five years) and \$10,000 annual base costs): The Headwaters forest will provide valuable opportunities for research of old growth redwood ecosystems and, thus, will be attractive to researchers involved in this type of ecosystem. Opportunities exist to cooperate with the University of California and California State University campuses, other State agencies, and with researchers from private industry, the Forest Service, and nonprofit organizations. Both implementation and effectiveness monitoring of restoration projects will be required. Research funding should primarily be cost-shared among entities involved. Federal funding needs to be available initially to facilitate cost-share research,

Resource Inventory (\$25,000 one-time costs): The public will look to the managing agencies to undertake an inventory of plant and animal species that occur in the Headwaters Forest as the basis for proper management. The BLM can make use of information previously gathered by the Pacific Lumber Company. The BLM would undertake surveys for many specks prior to initiating ground-disturbing activities consistent with the standards and guidelines of the Northwest Forest Plan.